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FISCAL IMPACT REPORT

ORIGINAL DATE 2/17/07

SPONSOR Trujillo LAST UPDATED _____ HB 894

SHORT TITLE Care For Mentally Retarded Staff Salaries SB _____

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$230.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 818

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$570.3	\$560.0	Recurring	Federal Medicaid Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 894 appropriates \$230 thousand from the general fund to the Human Services Department for the purpose of giving a cost-of-living increase to the staff of intermediate care facilities for the mentally retarded. The funds are to improve staff recruitment and retention and to meet increased costs of employee benefits and rising programmatic and operations costs to maintain quality services to recipients.

FISCAL IMPLICATIONS

The appropriation of \$230 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2008 shall revert to the general fund.

SIGNIFICANT ISSUES

HSD reports that ICF/MR facilities are currently reimbursed on a Prospective Payment Services (PPS). Rates are rebased every three years based on the previous year's cost. Therefore, a cost of living increase to a provider for their staff salaries would be included in that provider's cost report. This will cause the costs to increase, leading to increased rates for that provider.

The next rebasing date for the ICF/MR program is September 1, 2008 (during State FY09). ICF\MR rates have historically increased by 10% during rebasing years. The FY09 rebasing may be higher than this historical average due to the additional staff wages that would come with this appropriation.

HSD uses the following criteria in its decision making process for provider increases.

- Historical increases;
- Promoting preventive care;
- Establishing parity among rates paid for similar services;
- Provider costs;
- Providers' dependence on Medicaid as a funding stream;
- Rates relative value compared to Medicare.

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The ICF/MR providers received a 1.5% rate increase during FY07.

MW/csd